Congresswoman Deborah Pryce
Statement on Amendment to H.R. 5527
June 14, 2006

I want to echo some of the sentiments we have already heard. We are here today to extend a program that works: A program that saves taxpayers money, reduces rents on tenants, and ensures the long-term viability of affordable housing properties.

The numbers speak louder than words – In just seven years, Mark-to-Market has resulted in nearly $2 billion in net savings to taxpayers, reduced rent costs at over 2,700 properties by an estimated $216 million per year, and completed debt-restructuring on over 1,400 properties.

If we don't act before the program sunsets on September 30th of this year, the foreclosure risk to HUD-backed mortgages is over $400 million over the next five years.

We are considering a good bill today. I propose simply technical modifications.

The first raises the limit on high-cost restructurings, those with Exception Rents above 120% of Fair Market Rents. Currently, nationwide, only 5 percent of the properties in the program may have exception rents. This amendment raises the cap to up to 9% of the properties closed in any given year.

Exception Rents are essential for the preservation of certain properties, especially in rural and dense urban areas. At the current rate the 5% cap will be reached before September 30th this year. The 5% was a best-guess when Mark-to-Market was first enacted in 1997 – 9% is a better reflection of HUD's experience in the marketplace.

This amendment also extends from 3 to 5 years the period during which a community approved non-profit may purchase a Mark-to-Market property after the closing. The bill also opens up non-profit debt relief on sales for two years after enactment. The current 3-year rule limits the options available to a property owner who may consider transferring the property to a non-profit. Today, if an owner who closed a Mark-to-Market deal 4 years ago wants to sell to a non-profit it is not feasible; without the debt forgiveness or debt reassignment provided by HUD a non-profit simply can't take over the property. In many of these cases, the only option left to the owner is to allow the property to slowly decay – leaving tenants and taxpayers the net losers.

Finally, the amendment erases any question of the eligibility of properties damaged by Hurricanes Katrina, Rita, Wilma or other natural disasters. Damaged properties in Presidentially-declared Major Disaster areas will benefit from the rehabilitation and debt restructuring tools available to Mark-to-Market properties. Rents in these areas are volatile and it is impossible to determine eligibility under normal criteria without waiting long periods of time. Damaged and vacant properties need relief now to resize and restructure debt burden and Mark-to-Market is a proven tool to meet this need.